

CHAPTER 10. REVENUES, OTHER FINANCING SOURCES, AND GAINS

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CHAPTER 10. REVENUES, OTHER FINANCING SOURCES, AND GAINS**10.1 OVERVIEW.**

- 10.1.1 This chapter sets forth the accounting policy to account for revenues, other financing sources, and gains. Revenues are defined as inflows of resources the Government demands, earns, or receives by donation. Revenue comes from two sources: exchange transactions and non-exchange transactions.
- 10.1.2 Revenue from exchange transactions should be the actual price received or receivable under the established pricing arrangement. Non-exchange revenue should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue (the recipient entities). Revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets and should be measured at the estimated fair value of the contribution.
- 10.1.3 Other financing sources result from the use of appropriated funds, the receipt of transfers, and the recording of imputed financing. Exchange revenues arise when a government entity provides goods and services to the public or to another government entity for a price, or more specifically, the income resulting from completing customer orders. Non-exchange revenues arise primarily from the exercise of the government's power to demand payments from the public, such as taxes, duties, fines, and penalties. Non-exchange revenue also includes donations.

10.2 POLICY.

- 10.2.1 NASA policy is to recognize revenue when something of value is provided to the public or another government entity at a price or when the customer's accounting entity acknowledges a claim against its resources. NASA accounts for revenue in following four categories: Exchange Revenue, Non-exchange Revenue, Other Financing Sources, and Gains. NASA enters all accounting transactions for revenue in its integrated accounting system, Integrated Enterprise Management Program/SAP.

10.3 AUTHORITIES AND REFERENCES.

- 10.3.1 Revenues, Other Financing Sources and Gains policies are developed in accordance with the following references.
 - A. Statement of Federal Financial Accounting Standard (SFFAS) No.7, Accounting for Revenue and Other Financing Sources. This Statement presents standards to account for inflows of resources from revenue and other financing sources. It provides standards for classifying, recognizing, and measuring resource inflows.
 - B. SFFAS No.7, Accounting for Revenue and Other Financing Sources, Implementation Guide. This document is an implementation guide for

SFFAS No. 7. It presents illustrations, explanations, and a case study intended to help practice and understand the Standard.

- C. SFFAS No. 21, Reporting Corrections of Errors and Changes in Accounting Principles. This Statement amends the standard on Prior Period Adjustments contained in SFFAS No. 7.
- D. Statement of Federal Financial Accounting Concepts No. 1, Objectives of Federal Financial Reporting
- E. Statement of Federal Financial Accounting Concepts No. 2, Entity and Display
- F. Continuous Monitoring Program Performed by Centers. These control activities detail the procedures for periodic review of financial activities.
- G. Treasury Financial Manual, Supplement No. S2, United States Standard General Ledger. This document provides government wide guidance on the attributes for revenue accounts.

10.4 ROLES AND RESPONSIBILITIES.

- 10.4.1 The Director, Financial Management Division, NASA Headquarters, is responsible for establishing policies, standards and procedures applicable to NASA financial accounting and reporting functions and activities, and conducting periodic, systematic reviews of Center financial accounting and reporting practices.
- 10.4.2 At Centers, the Center Chief Financial Officer (CFO) and Deputy Chief Financial Officer, Finance (DCFO (F)) is responsible for application of the provisions of the NASA Financial Management Requirements (FMR) and the needs and directives of Center management, under functional direction of the Director, Financial Management Division, and NASA Headquarters.
- 10.4.3 Officials-in-Charge of Program Offices shall determine management needs for data, status information, estimates and reports, consistent with the FMR provisions.

10.5 DEFINITIONS.

- 10.5.1 Exchange Revenue. Exchange revenue and gains are inflows of resources to NASA that have been earned. Exchange revenues arise when a Federal entity provides goods and services to the public or to another government entity for a price.
- 10.5.2 Nonexchange Revenue. Nonexchange revenues include amounts the Federal Government is able to demand or receive due to its sovereign powers.
- 10.5.3 Other Financing Sources. Other financing sources provide inflows of resources that increase results of operations during the reporting period and

include appropriations used, transfers of assets from other government agencies, and imputed financing.

10.5.4 Expended Appropriations. Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized) are considered provided to NASA when a liability is established.

10.5.5 Imputed Financing. This amount includes financing of certain costs by one Federal entity on behalf of NASA (e.g., the payment of certain employee benefit costs by the Office of Personnel Management for employees of NASA). Imputed financing shall equal the amount of imputed costs.

10.6 REVENUE TYPES AND SOURCES.

10.6.1 Exchange Revenue. Exchange revenue and gains are inflows of resources to NASA that has earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Revenue from specific types of exchange transactions should be recognized as follows:

- A. When services are provided to the public or another government entity (except for specific services produced to order under a contract), revenue should be recognized when the services are performed.
- B. When specific goods or services are made or produced to order under a contract (either short or long term), revenue should be recognized monthly based on the ratio the costs incurred to date on that order bear to the total costs estimated to be incurred when the order is completed. If a loss is probable (more likely than not), revenue should continue to be recognized in proportion to the estimated total cost and costs should continue to be recognized when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract.
- C. When goods are kept in inventory so that they are available to customers when ordered, revenue should be recognized when the goods are issued to the customer.
- D. When services are rendered continuously over time or the right to use an asset extends continuously over time, revenue should be recognized in proportion to costs incurred or the use of the asset, as appropriate.
- E. When an asset other than inventory is sold, any gain (or loss) shall be recognized when the asset is delivered to the purchaser.
- F. Interest on Treasury Securities held by Trust Funds and Special Funds. The source of balances for some trust funds and special funds may not be predominantly nonexchange revenue. In such exceptional cases, the

interest should be classified in the same way as the predominant source of funds, i.e., as exchange revenue.

- 10.6.2 Nonexchange Revenue. Nonexchange revenues are inflows of resources the government demands or receives by donation. Such revenue should be recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount is reasonably estimable. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings. Within NASA, revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets and should be measured at the estimated fair market value of the contribution. In cases of donation of heritage assets, which are expensed if purchased, no amount is recognized if received as a donation. Correspondingly, no revenue is recognized for such donations.
- 10.6.3 Other Financing Sources. Other financing sources provide inflows of resources that increase results of operations during the reporting period and include appropriations used, transfers of assets from other government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of NASA's assets to other government entities. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used.
- 10.6.4 Gains. When a transaction with the public or another government entity at a price is unusual or nonrecurring, a gain should be recognized rather than revenue so as to differentiate such transactions. Gains result from the sale, exchange, trade or disposition of government assets (with the exception of inventory). As a general rule, any difference between the sales proceeds in excess of the book value of the assets is recognized as a gain when the asset is sold. This general rule applies to the sale of property, plant and equipment; receivables; investments; and other assets where the selling entity is entitled to retain the proceeds of the sale. In addition, the distinction between revenues and gains is a matter of classification in the general ledger accounts and their presentation in financial statements. Revenues are commonly reported at their gross amount while gains are shown net of related book value.